

City of Santa Barbara Planning Division

Mills Act Application

Thank you for your interest in the City of Santa Barbara's Mills Act Program. In order for your property to be considered for a contract you must have a designated historic resource listed on any city, county, state or federal register. City designations are: Landmark, Structure of Merit, and contributor to a designated Historic District.

The City of Santa Barbara can accept up to eight (8) Mills Act contracts per year – six residential and two commercial, or up to eight residential if no commercial applications are submitted. Applications will be accepted during the months of January through June and must be submitted with a non-refundable application fee (Please contact staff for the amount). Incomplete applications will not be considered. The eight (8) contracts awarded will be ranked and selected using adopted eligibility criteria for the program. Some properties may not qualify due to the cap limits on the total assessed property valuation (currently 1.5 million). Contracts that exceed these limits can be granted if an exception is approved by City Council. Once approved, a contract initiation fee will be due (Please contact staff for the amount). All contracts are reviewed by the Historic landmarks Commission and referred to the Community Development Director for final approval. Unless City Council approval is required for an exception to these set limits. Refer to SBMC 22.22.160

A ten-year rehabilitation plan is required as part of the application and will be re-evaluated every five (5) years or as needed. Upon acceptance to the program your property will be subject to an initial inspection by the City's Urban Historian to assist you in finalizing the rehabilitation plan. It is necessary that you submit the necessary photo documentation on the current condition of the property. You will be required to submit annual reports on completed project(s), along with copies of receipts and building permits where applicable. City staff may conduct property inspections at any time to ensure that proposed work has been completed per contract agreement and meets all applicable City standards.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at www.SantaBarbaraCA.gov. If you have any questions please contact Nicole Hernandez, Associate Planner/Urban Historian at (805) 564-4557. This packet includes:

- Mills Act Fact Sheet
- Application Checklist
- Application
- Financial Analysis Information
- Ten-year Rehabilitation Plan Form
- Potential Project List
- Property Owner Annual Report
- Property Inspection Information
- Secretary of the Interior's Standards for the Treatment of Historic Properties
- City Mills Act Contract (sample)
- Q& A on State Mills Act Program

Mills Act Application Checklist

- ☐ Completed Application Form
- ☐ Exterior Photographs of property
- ☐ Tax Savings Calculation
- ☐ Ten year plan for property improvements
- ☐ Copy of Grant Deed with legal description of property
- ☐ \$43 Non-Refundable Application Fee

City of Santa Barbara Mills Act Application

Property Information

Property Address _____

APN: _____

Owner(s) _____

Owner Address _____

Owner Telephone Number: Daytime _____ Evening _____

Owner webmail address: _____

Use of Property _____

Eligibility for Program:

___ City Landmark ___ City Structure of Merit

___ County Landmark ___ California Register of Historic Resources

___ State Landmark ___ State Point of Historical Interest

___ National Register ___ National Historic Landmark

___ Contributor to a Designated or Potential Historic District

Name of District _____

Date of Designation _____

Historical Property Tax Adjustment Worksheet Guide

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. ***This form is a guideline only. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation.***

EXAMPLE: Single-family Dwelling
Current Assessed Value = \$700,000
Estimated Monthly Rent = \$2,500

A. Determine Annual Income and Annual Operating Expenses

\$2,500 per month income minus approximately \$400 per month expenses for maintenance, repairs, insurance, utilities, and gardener equals a net income of \$2,100 per month. Multiply by 12 months to for an annual net income of \$25,200. (Mortgage payments and property taxes are not considered expenses.)

B. Determine Capitalization Rate

Add the following together to determine the Capitalization Rate:

The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at 6.75% for 2007.

The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A 2% risk component applies to all other properties.

The Property Tax Component (Post-Prop. 13) of .01 times the assessment ratio of 100% (1%).

The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. **In this example the remaining life of a wood frame building is typically 20 years.** The amortization component is calculated thus: $100\% \times 1/20 = 5\%$. Use 5% for your calculation.

Now add the following:

$6.75\% + 4.0\% + 1.0\% + 5.0\% = 16.75\%$ Capitalization Rate (Single-family dwelling)

C. Calculate New Assessed Value and Estimated Tax Reduction

The new assessed value is determined by dividing the annual net income (\$25,200) by the capitalization rate .1675 (16.75%) to arrive at the new assessed value of \$50,149.

Lastly, determine the amount of taxes to be paid by taking .01 (1%) of the assessed value \$52,500. Compare with current property tax rate for land and improvements only (be sure to voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill):

Before the Mills Act: 1% of original assessed valuation of \$100,000 ($\$100,000 \times .01 = \$1,000$).

After the Mills Act: Mills Act property tax: 1% of new assessed value of \$50,149 is \$501.

Annual property taxes have been reduced by \$499 (\$1,000 - \$501), a 50% property tax reduction.

****The Mills Act applies ONLY to general levy property taxes. Be sure to DECUCT the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.**

**** Single-family applicants may find that a realtor can assist in determining a monthly rental figure.**

WORKING DRAFT OF TAX ADJUSTMENT SHEET

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

ANNUAL PROPERTY INCOME	CURRENT
1. Monthly Rental Income	
2. Annual Rental Income	

EXPLANATION
Even if property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula.
Multiply line 1 with line 2.

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

ANNUAL OPERATING EXPENSES	CURRENT
3. Insurance	
4. Utilities	
5. Maintenance	
6. Management	
7. Other Operating Expenses	
8. TOTAL EXPENSES	

EXPLANATION
Fire, Liability, etc.
Water, Gas, Electric
Maintenance includes: Painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs.
Security, services, etc. Provide breakdown on separate sheet.
Add lines 3 through 7.

STEP 3: DETERMINE ANNUAL NET INCOME

NET OPERATING INCOME	CURRENT
9. Net Total	

EXPLANATION
Line 2 minus line 8.

STEP 4: DETERMINE CAPITALIZATION RATE

CAPITALIZATION	CURRENT
10. Interest Component	6.75%
11. Historic property Risk Component	
12. Property Tax Component	1%
13. Amortization Component (Reciprocal of life of property)	
14. TOTAL = CAPITALIZATION RATE	

EXPLANATION
As determined by the State Board of Equalization for 2008
Single-family home =4% All other property =2%
.01 times the assessment ratio of 100%
If the life of the improvement is 20 years, use $100\% \times \frac{1}{20} = 5\%$.
Add lines 10 through 13.

STEP 5: CALCULATE NEW ASSESSED VALUE

NEW ASSESSED VALUE	CURRENT
15. Mills Act Assessed Value	

EXPLANATION
Line 9 divided by line 14 Example: Line 9 divided by .1575 (15.75%)

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

EXPLANATION
General tax levy only – do not include voted indebtedness or other direct assessments
Line 15 multiplied by .01
Line 16 minus 17

NEW TAX ASSESSMENT	CURRENT
16. Current Tax	
17. Tax under Mills Act	
18. Estimated Tax Reduction	

MILLS ACT PROGRAM TEN-YEAR REHABILITATION PLAN

City of Santa Barbara

Year	Proposed Project*	Estimated Cost
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6		
Year 7		
Year 8		
Year 9		
Year 10		

To be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit D.

*See attached for list of potential projects. Use additional sheets if necessary.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Historic Landmarks Commission/Staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties*. (See attachment summary).

Retain copies of all receipts and permits for submittal with the required annual reports.

MILLS ACT PROGRAM – LIST OF POTENTIAL PROJECTS

Projects may include but are not limited to:

- Access Modifications – Exterior
- Access Modifications – Interior
- Accessory Structure Repair or Replace
- Annual Maintenance & Repairs
- Appliance Vent
- Architectural – Remove Non-historic Feature & Restore to Original
- Architectural Trim – Repair
- Architectural Trim – Replace
- Architectural Trim – Install New
- Balcony/ Decks – New Railings
- Balcony/ Decks – Repair or Replace
- Basement – Access – Repair or Replace to Code
- Basement – New or Rebuild
- Cabinets – New Built-in Bathroom
- Cabinets – New Built-in Kitchen
- Cabinets – New Built-in Other
- Carpentry – Remove window & reframe shower including Siding/Caulking
- Chimney – Inspect and Clean
- Chimney – New
- Chimney – Rebuild or Repair
- Code Repair Item
- Column – Replace or Rebuild
- Corbels/ Structural Brackets Replace or Repair
- Door – Repair or Replace Screen Door
- Door – Hardware
- Door – New Basement Hatch Cover and Base
- Door – Repair
- Door – Replacement
- Drain for Deck – Install & or Repair
- Drainage Protection or Correction
- Dry-Rot Remove, Repair and or Replace
- Electrical – Rewire or Install New Outlets
- Electrical – Complete Rewire and Service Upgrade
- Electrical – Ground & Service Entry
- Electrical – Install New Circuits
- Electrical – Lighting Fixtures
- Electrical – New Service Lines to Garage
- Electrical – Security Lighting and Alarm
- Electrical – New Outlets
- Fence – Repair or New

Flashing
 Floor Furnace – Remove or Restore floor
 Flooring – Carpet
 Flooring – Repair
 Flooring –Repair Wood Floors
 Flooring – Replacement
 Foundation – Bolting and Seismic Work
 Foundation – New
 Foundation – Repair
 Gable or Attic – Re-screening
 Garage Door- Repair or replacement
 Gutters & Downspouts
 House Relocation for preservation purposes
 HVAC – Complete New System
 HVAC – Maintenance & Replacement/Plumbing Service & Painting
 Insulation – Walls – Blown-in
 Insulation – Attic
 Interior Trim – Refinish
 Kitchen – New Counters
 Masonry – New
 Masonry – Repair or Replace Tile Hearth
 Masonry – Repair or Repoint
 Masonry – Repoint Brick
 Mechanical – Air Conditioning
 Mechanical – Heating Unit
 Mechanical – Ventilation – New Kitchen/Bath Fan & Duct Work
 Mechanical – Venting & Duct
 Mechanical – Venting & Duct Work
 Minor Painting and Exterior Repairs
 Painting – Exterior
 Painting – Interior
 Painting – Removal of Lead Based Paint
 Painting – Exterior Trim
 Patio – Repair
 Plastering – Remove, Replace, or Refinish
 Plumbing – DWV, Drain, Waste & Vent
 Plumbing – Fixtures
 Plumbing – Install new supply lines
 Plumbing – Install Sump Pump & Discharge Drain
 Plumbing – Minor Repairs
 Plumbing – New Supply
 Plumbing – Service Lines
 Plumbing – Sewer
 Plumbing Repairs
 Porch - Ceiling replacement
 Porch – Rebuild or Replace
 Porch – Repair
 Porch – Repoint Brick
 Porch Railing – Repair or Replace to Code
 Porches – Resurface

Remove Substandard Construction (Tin Shed)
Repair Eaves and/or Overhangs
Repair Exterior Stucco
Repair Garage
Replace Garage
Replace Non-Historic Feature
Roof- Minor Repair
Roof- Reroof
Roof- Strip and Install New
Seismic Retrofitting – Other than Foundation
Siding – Remove Asbestos Siding & Restore
Siding – Repair or remove
Skylights – Replace
Stair – Repair
Stair – Replacement
Stonework
Stoop – Repair
Stoop – Replacement
Structural – New Framing or Repairs
Structural Bracing
Structural Modifications
Structural Repairs – Roof and/or Ceiling Joists
Termite Treatment
Termite Treatment and Repair
Tile – Replace, Repair or Repoint
Utility Enclosure – New
Ventilation – Attic Fan
Waterproofing
Weatherproofing
Window – Screens or Hardware
Windows – Repair
Windows – Replacement of appropriate types

Maintenance and Rehabilitation Standards and Conditions

Secretary of the Interior's Standards for Rehabilitation

1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Property Maintenance

All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current building and zoning codes will be enforced. The following conditions are prohibited:

- a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows.
- b. Abandoned or discarded objects, equipment or materials such as automobiles, automobile parts, furniture, appliances, containers, lumber or similar items stored outside but within property lines.
- c. Stagnant water or open excavations.
- d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
- e. Peeling exterior paint or unremoved/uncovered graffiti.
- f. Overgrown landscaping, exposed bald areas within yards or grounds and broken hardscape features which could cause injury.
- g. Other substandard conditions as cited by the Historic Landmarks Commission, the Community Development Director, or the City's Urban Historian.

Conditions

This Historical Property Contract provides the potential for property tax reduction in exchange for agreement to rehabilitate and maintain an historic building. Existing conditions not in conformance with the Secretary of the Interior's Standards may be required to be removed and the original conditions remedied as part of this contract.

MILLS ACT PROGRAM PROPERTY OWNER PROGRESS REPORT

Property Address: _____ Date _____

What were your tax savings for the following tax years? _____

What projects did you complete? _____

What was the cost of the project(s)? _____

Based on the results of project(s) would you like to revise your Ten-Year Plan? _____

If so, how? _____

Comments/ Suggestions:

(Attached additional sheets if necessary)

Print
Name _____ Signature _____

IMPORTANT: Attach copies of Receipts and Permits to this form for documentation.

Return form by December 30th to:

Nicole Hernandez,
Associate Planner/Urban Historian

City of Santa Barbara
PO Box 1990
630 Garden Street, 2nd Floor
Santa Barbara, CA 93102

MILLS ACT PROGRAM PROPERTY INSPECTION INFORMATION

Initial Inspection:

If you are selected to participate in the Mills Act, City Planning staff will complete an initial inspection of your property to help finalize your Ten-Year Rehabilitation Plan and to photo document the current condition of the property. Photographs will be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit C. The inspection will be scheduled at a time that is convenient for you and will include a walk-through of the residence and any accessory buildings as well as a general inspection of the property.

Periodic Inspection:

City planning staff may inspect your property periodically following submittal of your Progress Report to ensure that work has been completed in accordance with the Ten-Year Rehabilitation Plan and all City requirements. Exterior work that is easily visible from the street may be inspected without an appointment. Interior work will require an inspection appointment. Photographs will be taken as part of the inspection for inclusion in your file.

Mills Act – Questions and Answers:

1. Q: What is the Mills Act?

A: The Mills Act is a state act providing property tax abatement to owners of designated historic properties. The purpose of the Act is to encourage rehabilitation, as well as ownership of historic properties, by providing a financial incentive through property tax reduction. The Act uses an alternative equation to calculate property taxes, with the requirement that the savings be spent on qualified improvements to the historic property.

2. Q: Who can apply for the Mills Act?

A: Owners of designated historic properties can apply for the Mills Act. Designated historic properties include those individually listed as Landmarks or Structures of Merit, as well as identified contributors to a Historic District.

3. Q: How can I apply for the Mills Act?

A: The Mills Act application requires detailed information to be submitted require some calculations which may require assistance from a professional accountant. Previous examples are also available on request. Applications are available by: 1) Picking up a copy up at the Planning Counter at 630 Garden Street, or 2) Contacting the Urban Historian at 805-564-4557 or email at NHernandez@SantaBarbaraca.gov and requesting a copy via the US Mail, or 3) Downloading a Mills Act Application off of the 'Historic Preservation' portion of the planning website at <http://www.SantaBarbaraca.gov/planning/historic.htm> under 'Mills Act'. Complete applications can be dropped off at the Planning Counter on the 1st Floor or via US mail at the following address: Planning Division, Historic Preservation, PO Box 1990, Santa Barbara, CA 93101

4. Q: How many Mills Act Applications are accepted annually?

A: The City may accept 8 Mills Act contracts per year – six residential and two commercial, or up to eight residential if no commercial applications are submitted. If more applications than the allotted amount are received, the Mills Act contract recipients will be ranked by significance and selection criteria for complete applications.

5. Q: When are the Mills Act Applications due?

A: Mills Act Applications are accepted beginning Jan 1st of every year and must be received by the last day in June.

6. Q: What is the application fee?

A: The application fee for Mills Act Contracts is \$43 at the time of application submission. Once the Mills Act application is approved by the Historic Landmarks Commission an initiation fee of \$430 will be due prior to final contract review and signatures.

7. Q: How much will I save on my property taxes?

A: The Mills Act uses an alternative equation to calculate the property taxes. This alternative equation can save property owners, especially those who have recently purchased property, up to 50% on the property tax bill. If the property has been owned for more than several decades, the County Assessor does not recommend applying for the Mills Act as the savings will be negligible.

8. Q: When will I start to receive my savings on my tax bill?

A: Savings will appear on the tax bill for the fiscal year (July 1st to June 30th) following the calendar year it is recorded with the County and finalized. For Example, Mills Act participants from the 2010 year received the first tax bill savings on the fall of 2011 tax coupon, which is typical.

9. Q: When do I start saving receipts from qualified property improvements?

A: Start saving receipts for qualified improvements during the fiscal year (July 1st to June 30th) following the approval with the City. For example, Mills Acts approved in 2010 will start saving receipts from qualified improvements for the fiscal year July, 2011- June, 2012.

10. Q: Is the Mills Act transferable if I sell my property?

A: Yes, Mills Act contracts are transferred to new property owners when the property is sold.

11. Q: Does my property get reassessed if I sell my property, thus changing the monetary value of my savings?

A: Yes, Mills Act contracts are reevaluated on an annual basis with the County Tax Assessor for tax savings. One of the factors the Assessor uses in determining the Mills Act tax bill is the current assessment value of the historic property. Were the property value to change, the tax savings could also see a change.

12. Q: During what time frame do the property improvements need to occur?

A: Qualified improvements need to take place during the fiscal year (July 1st to June 30th) following the approval, and subsequent fiscal years thereafter for 10 years. For example, Mills Act contracts approved in 2010 will start completing qualified improvements during the fiscal year July, 2011-June, 2012.

13. Q: What property improvements are eligible?

A: Most improvements are eligible for the Mills Act, as the intention is to encourage property owners to continue to provide maintenance for the historic properties. The improvements need to be a permanent part of the property and/or property. For example:

- A new outdoor seasonal gazebo would not qualify, but a permanent gazebo that is attached to a foundation would qualify.
- New furniture would not qualify, but new built-in cabinetry or shelving would qualify.

14. Q: Can I count the cost of labor for the improvements made to my property?

A: Yes, the cost of labor can be included in the total cost of improvements to the property, as long as the labor has been completed by a qualified individual that can produce a verifiable receipt for the labor. Property owners cannot include the cost for the owner's personal labor. For Example:

- If a property owner were to have the outside of the historic property painted by a painting company, the full cost of the bill could be counted as a qualified improvement.
- If a property owner were to paint the property utilizing the property owner's own labor to apply the paint, the only costs that could count as an improvement are the cost of paint and paint prepping materials used to complete this qualified task.

15. Q: How do the property inspections work?

A: Members from the Planning Division's staff may conduct periodic inspections to visit the historic property; one initial visit is required and may be scheduled in subsequent years to verify the projects that have been completed. These appointments will be scheduled in advance.

16. Q: Can I change things on my submitted "10 Year Rehabilitation plan" for work on my property?

A: Yes, previous submissions on the "10 Year Rehabilitation plan" can be changed. Although City Planning Staff ask for the Rehabilitation plan up front, changes are allowed on an annual basis. These changes must be submitted to the City Urban Historian in the Planning Division in writing prior to completion of the proposed qualified task.

18. Q: How long is my Mills Act Contract good for?

A: Participants enter into a perpetual 10 year contract with the City. Mills Act contracts are automatically renewed each fiscal year (July 1st to June 30th). The contract is renewable at the City's discretion for subsequent years after the 10 year contract is complete.

19. Q: Who approves the contract I have with the City for my Mills Act Property?

A: The Community Development Director approves the Mills Act contract before the end of the application's calendar year.

20. Q: What happens if I do not fulfill my obligation to the Mills Act?

A: The Mills Act is a privilege given to those who have willingly applied and been accepted through the extensive application process. The Mills Act is an incentive for those who own historic properties by providing financial assistance through tax savings. However, the Mills Act is also a legal contract and is enforceable by law. Penalties may incur if owners do not fulfill the obligation required by the contract to spend the tax savings on the repair and maintenance of the historic property.